



November 26, 2018

Via DelaFile Submission

Ms. Donna Nickerson  
Secretary  
Public Service Commission of Delaware  
861 Silver Lake Boulevard  
Cannon Building, Suite 100  
Dover, DE 19904

Re: In The Matter of the Application of Tidewater Utilities, Inc. for the  
Approval of the Semi-Annual Adjustment to the Distribution System  
Improvement Charge ("DSIC") Pursuant to 26 Del. C. § 314 (b) (5)

Dear Ms. Nickerson:

Tidewater Utilities, Inc. has submitted an application for an adjustment to the Distribution System Improvement Charge pursuant to 26 Del.C. § 314 (b) (5) through the DelaFile electronic system. A payment of \$100 to satisfy the required filing fee was also submitted through the DelaFile system.

If you have any questions regarding the changes to this application, please contact me at (732) 638-7502.

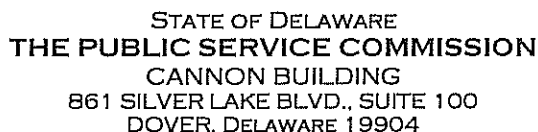
Sincerely,

A handwritten signature in cursive script that reads 'Michele L. Tilley'.

Michele L. Tilley  
Rates Manager

Enclosures

cc: Andrew Slater, Delaware Public Advocate (Electronic Delivery)  
Connie McDowell (Electronic Delivery)



**NOTE:** House Bill 681, enacted into law 7/13/98, authorizes the Commission to recover the cost of time spent by in-house staff to process all filings initiated after the date of enactment. You may be required to reimburse the Commission for staff time.

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF :	
TIDEWATER UTILITIES, INC. FOR THE :	
APPROVAL OF THE SEMI-ANNUAL :	Docket No. 18-_____
ADJUSTMENT TO THE DISTRIBUTION :	
SYSTEM IMPROVEMENT CHARGE ("DSIC") :	
EFFECTIVE JANUARY 1, 2019 PURSUANT TO :	
DEL. C. § 314 (b) (5) :	

Tidewater Utilities, Inc. ("Tidewater") a public water utility, regulated by the Delaware Public Service Commission ("Commission"), hereby petitions the Commission pursuant to 26 Del. C. § 314 (b) (5), for permission to reset its Distribution System Improvement Charge ("DSIC") effective January 1, 2019, which is no less than thirty (30) days from the date of this Application.

1. On May 24, 2018, Tidewater filed an application for permission to reset its DSIC rate for the automatic adjustment of its basic rates and charges and providing for recovery of additional costs in accordance with 26 Del. C. § 314 effective June 1, 2018. Tidewaters application to reset the DSIC rate to 1.24% received Commission approval on June 19, 2018 by Order No. 9237, PSC Docket No. 18-0346.
2. On November 20, 2017, Tidewater filed an application and on December 12, 2017, filed a revised application and accompanying schedules for permission to reset its DSIC rate for the automatic adjustment of its basic rates and charges and providing for recovery of additional costs in accordance with 26 Del. C. § 314 effective January 1, 2018. Tidewaters application to reset the DSIC rate to 2.99% received Commission approval on December 21, 2017 by Order No. 9162, PSC Docket No. 17-1148.
3. On May 19, 2017, Tidewater filed an application for permission to reset its DSIC rate for the automatic adjustment of its basic rates and charges and providing for recovery of additional costs in accordance with 26 Del. C. § 314 effective July 1, 2017.

Tidewaters application to reset the DSIC rate to 2.43% received Commission approval on June 20, 2017 by Order No. 9073, PSC Docket No. 17-0330.

4. On November 16, 2016, Tidewater filed an application for permission to reset its DSIC rate for the automatic adjustment of its basic rates and charges and providing for recovery of associated costs in accordance with 26 Del. C. § 314 effective January 1, 2017. Tidewater's application to reset the DSIC rate to 2.44% received Commission approval on December 20, 2016, by Order No. 9004, PSC Docket No. 16-1067.
5. On May 20, 2016, Tidewater filed an application and on June 17, 2016, filed a revised application for permission to reset its DSIC rate for the automatic adjustment of its basic rates and charges and providing for recovery of associated costs in accordance with 26 Del. C. § 314 effective July 1, 2016. Tidewater's application to reset the DSIC rate to 1.90% received Commission approval on June 28, 2016, by Order No. 8904, PSC Docket No. 16-0656.
6. On November 19, 2015, Tidewater filed for permission to reset its DSIC rate for the automatic adjustment of its basic rates and charges and providing for recovery of associated costs in accordance with 26 Del. C. § 314 effective January 1, 2016. Tidewater's application to reset the DSIC rate to 1.06% received Commission approval on December 15, 2015, by Order No. 8833, PSC Docket No. 15-1576.
7. On May 21, 2015, Tidewater filed for permission to reset its DSIC rate for the automatic adjustment of its basic rates and charges and providing for recovery of associated costs in accordance with 26 Del. C. § 314 effective July 1, 2015. Tidewater's application to reset the DSIC rate to 0.37% received Commission approval on June 2, 2015, by Order No. 8747, PSC Docket No. 15-1000.
8. On November 14, 2014, Tidewater filed for permission to reset its DSIC rate for the automatic adjustment of its basic rates and charges and providing for recovery of associated costs in accordance with 26 Del. C. § 314 effective January 1, 2014.

Tidewater's application to reset the DSIC rate to 0.31% received Commission approval on December 16, 2014, by Order No. 8691, PSC Docket No. 14-0525.

9. Pursuant to 26 Del. C. § 314 (b) (5) Tidewater hereby requests Commission permission to reset its DSIC rate. The aforementioned section states that the DSIC rate shall be adjusted semi-annually for eligible distribution system improvements placed in service during the six month period ending two months prior to the effective date of changes in the DSIC rate. In this filing, Tidewater has included improvements, if any, placed in service for the six month period May 1, 2018 through October 31, 2018.
  - Attached are Schedules No. 1, 1A, 1B, 1C, 1D and No. 2, which support the development of the DSIC rate. Schedule 1D shows the Revised Pre-Tax Cost of Capital Calculation Used for Setting the DSIC Rate in PSC Docket No. 17-1148 and for performing the revenue true-up for the period January 2018 through June 2018 per PSC Docket No. 18-0346, Order No. 9237.
10. Also attached hereto as Schedule No. 3 is a draft Tariff Schedule of Rates, which reflects the proposed reset to the DSIC rate as January 1, 2019, arising in this Petition.
11. The proposed Tidewater customer rate adjustment, reflected by this application, is 1.72% and is expected to result in additional revenues of approximately \$240,403. The requested rate reset is less than a 5% increase in current rates of Tidewater customers and, as such, satisfies the requirements of 26 Del. C. § 314 (b) (7). Customers will be notified of this change with a statement that shall be printed on the first bill following the effective date of this change. The statement will indicate that the DSIC rate is 1.72% effective January 1, 2019.
12. Tidewater is prepared to provide the Commission with all reasonable information requested by the Commission with respect to this filing.
13. The utility contact person responsible for this Application is the signatory shown below.

14. The Division of Public Advocate has been served with a copy of this filing.

WHEREFORE, in light of the foregoing, Tidewater respectfully requests that the Commission enter an Order, pursuant to 26 Del. C. § 314 (b) (5), approving a semi-annual rate adjustment to the Distribution System Improvement Charge.

Respectfully Submitted,  
TIDEWATER UTILITIES, INC.

A handwritten signature in black ink, appearing to read "A. Bruce O'Connor". The signature is fluid and cursive, with the first name "A." and last name "O'Connor" clearly distinguishable.

A. Bruce O'Connor  
Treasurer  
1500 Ronson Road  
Iselin, NJ 08830-3020  
Telephone: 732-638-7502  
Facsimile: 732-218-1126  
E-mail: aboconnor@middlesexwater.com

Date: November 26, 2018

Tidewater Utilities, Inc.

November 2018 DSIC Application to the PSC

### Schedule 1: Development Of Rate And Supporting Data

[illegible]

10 Semi-Annual Projected Water Service Revenues (1/1/19-6/30/19)

11 Projected DSIC Rate Increase Percentage (Line 14 divided by Line 15)

**12 Maximum limitation in a twelve month period**

### 13 Overall limitation

14,000.000

1.72%

5.00%

7.50%

Schedule 1A: Pre-Tax Cost of Capital Based on Capital Structure Approved In Most Recent  
General/Base Rate Case

**ORIGINAL METHOD FOR CALCULATION OF THE PRE-TAX COST OF CAPITAL IN  
SETTING A DSIC RATE**

Capital Structure Approved in Order No. 8611, PSC Docket No. 13-466				
	(A)			
	Revenue			
	Multiplier			
Cost of Debt	49.04%	6.01%	2.95%	4.91%
Common Equity	50.96%	9.75%	4.97%	8.27%
	<u>100.00%</u>		<u>7.97%</u>	<u>13.18%</u>

(A) Used for rate setting in Order No. 7611, PSC Docket. 13-466

**REVISED METHOD FOR CALCULATION OF THE PRE-TAX COST OF CAPITAL IN  
SETTING A DSIC RATE**

Capital Structure Approved in Order No. 8611, PSC Docket No. 13-466				
	(B)			
	Revenue			
	Multiplier			
Cost of Debt	49.04%	6.01%	2.95%	2.96%
Common Equity	50.96%	9.75%	4.97%	6.91%
	<u>100.00%</u>		<u>7.97%</u>	<u>9.87%</u>

(B) The Revenue Multipliers for determining the pre-tax cost of capital for debt and equity have been revised.  
(1) The Revenue Multiplier for determining the pre-tax cost of capital for debt has been revised to exclude the gross up for income taxes.  
(2) The Revenue Multiplier for determining the pre-tax cost of capital for equity has been revised for the lower corporate income tax rate authorized under the 2017 Tax Cuts and Jobs Act.

TIDEWATER UTILITIES, INC.				
CALCULATION OF GROSS-UP FACTOR				
Line No.	Description	(A) Order No. 8611, PSC Docket No. 13-466	(B)(2) Revised 2017 Tax Act	
1	Operating Revenues	1.000000	1.000000	
2	PSC Assessment @ .003 Operating Revenue	0.003000	0.003000	
3	Income Before State Income Tax	0.997000	0.997000	
4	State Income Tax @ 8.7%	0.086739	0.086739	
5	Income Before Federal Income Tax	0.910261	0.910261	
6	Federal Income Tax @ 34.0%	0.309489	0.191155	
7	Federal Income Tax @ 21.0%	0.600772	0.719106	
8	Income After Federal Income Tax	1.664525	1.390616	
	Gross Revenue Conversion Factor ( 1 / Line 7 )			



Tidewater Utilities, Inc.  
November 2018 DSIC Application to the PSC

**Schedule 1B: Over/Under Adjustment**

<u>Docket No.</u>	<u>Underearnings (1)</u>
Q2-2017	(163,000)
Q3-2017	155,000
Total	<u><u>(8,000) (8D)</u></u>

(1) - Overearnings adjustment to Revenue Requirement  
originally filed in PSC Docket No. 17-1148

Tidewater Utilities, Inc.  
November 2018 DSIC Application to the PSC

**Schedule 1C: Over/Under Adjustment with Interest**

Tidewater Utilities, Inc.  
DSIC Reconciliation

For the 12 Months Ended December 31, 2017

Month	Capital Costs and Depreciation Expense	DSIC Revenue Collected	Revenue Over (Under) Collected	Interest	Over- Collection + Interest
January	[a] \$47,435	\$48,566	\$1,131	\$61	\$1,192
February	[a] 47,435	56,414	\$8,979	452	\$9,431
March	[a] 47,435	50,245	\$2,810	141	\$2,951
April	[a] 47,435	47,492	\$57	3	\$60
May	[a] 47,435	59,177	\$11,742	510	\$12,251
June	[a] 47,435	60,275	\$12,840	546	\$13,386
July	[b] 53,142	57,402	\$4,260	166	\$4,426
August	[b] 53,142	73,915	\$20,773	733	\$21,506
September	[b] 53,142	77,488	\$24,346	772	\$25,118
October	[b] 53,142	56,797	\$3,655	103	\$3,758
November	[b] 53,142	66,779	\$13,637	335	\$13,972
December	[b] 53,142	56,872	\$3,730	83	\$3,813
<b>Totals</b>	<b>\$603,463</b>	<b>\$711,422</b>	<b>\$107,959</b>	<b>\$3,903</b>	<b>\$111,862 (8E)</b>

[a] Monthly amounts represent Semi-annual DSIC Requirement of \$284,610 per PSC Docket No. 16-1067 effective January 1, 2017. See Schedule 1C-a. originally filed in PSC Docket 18-0346 for detailed calculation

[b] Monthly amounts represent Semi-annual DSIC Requirement of \$318,853 per PSC Docket No. 17-0330 effective July 1, 2017. See Schedule 1C-b. originally filed in PSC Docket 18-0346 for detailed calculation.

Tidewater Utilities, Inc.  
November 2018 DSIC Application to the PSC

**Schedule 1D: Over/Under Adjustment with Interest**

Tidewater Utilities, Inc. DSIC Reconciliation For the 6 Months Ended June 30, 2018						
Month	Capital Costs and Depreciation Expense	DSIC Revenue Collected	Revenue Over (Under) Collected	Interest	Over- Collection + Interest	
January	[a] \$54,472	\$62,846	\$8,374	\$345	\$8,719	
February	[a] 54,472	72,948	\$18,477	690	\$19,167	
March	[a] 54,472	63,351	\$8,879	314	\$9,194	
April	[a] 54,472	59,751	\$5,279	166	\$5,445	
May	[a] 54,472	72,412	\$17,940	492	\$18,433	
June	[a] 54,472	77,304	\$22,832	564	\$23,396	
<b>Totals</b>	<b>\$326,829</b>	<b>\$408,611</b>	<b>\$81,782</b>	<b>\$2,572</b>	<b>\$84,354</b>	<b>(8F)</b>

[a] Monthly amounts represent Semi-annual DSIC Requirement of \$326,829 per PSC Docket No. 17-1148 effective January 1, 2018. See Schedule 1D-a for detailed calculation

Tidewater Utilities, Inc.  
November 2018 DSIC Application to the PSC

**Schedule ID-a: Revised Pre-Tax Cost of Capital Calculation (Docket No. 17-1148)**

Investment Net of Accumulated Depreciation and Retirements:

Eligible Net Investment                      \$5,554,602 Net Rate Base Change Per DSIC 17-1148  
Semi-Annual                                      \$2,777,301 50% of Net Rate Base Change Per DSIC 17-1148

Depreciation Expense:                      \$46,266 Per DSIC 17-1148

Capital Structure & Costs:

	Pre Tax Reform			Post Tax Reform		
	Revenue			Revenue		
	%	Cost	Weighted Cost	Multiplier	Pre-Tax Cost	
Debt	49.04%	6.01%	2.95%	1.003009	2.96%	
Equity	50.96%	9.75%	4.97%	1.390616	6.91%	
Total	100.00%		7.92%		9.87%	
Semi-Annual Pre-Tax Rate of Return (January 2018)						4.12%
Semi-Annual Pre-Tax Rate of Return (February-July 2018)						

Revenue Requirement:

Return: \$5,554,602 x	January, 2018	February-July, 2018	January-July, 2018
Depreciation	0.94%	4.12%	
	1 Month	5 Months	
Total Revised Revenue Requirement (PSC Docket No. 17-1148)	\$51,991	\$228,572	\$280,563
	\$7,711	\$38,555	\$46,266
	\$59,702	\$267,127	\$326,829 (a)

Tidewater Utilities, Inc.  
November 2018 DSIC Application to the PSC

**Schedule 2: Projects Placed Into Service And/Or Retired**

Utility Plant In Service from May 1, 2018 to October 31, 2018

<u>Project Name</u>	<u>Description of Project</u>	<u>TUI Account #</u>	<u>Amount</u>	
			<u>Applied for DSIC</u>	<u>Retirement Costs</u>
1.			\$ -	-
Total			\$ -	\$ -
Net Total			\$ -	

Tidewater Utilities, Inc.  
November 2018 DSIC Application to the PSC

**Schedule 2A: Net Accumulated Depreciation**

Utility Plant In Service from May 1, 2018 to October 31, 2018  
Net Additions to Plant and Depreciation Expense

	NARUC A/C #	Amount	Depreciation Rate	Depreciation Amount
Wells & Springs	314	\$ -	2.37%	\$ -
Pumping Structures & Improvements	321	-	3.12%	-
Electric Pumping Equipment	325	-	3.17%	-
Water Treatment Equipment	332	-	2.89%	-
Storage Facilities	342	-	1.61%	-
Mains	343	-	1.43%	-
Services	345	-	2.12%	-
Meters	346	-	4.63%	-
Meter Installations	347	-	3.49%	-
Hydrants	348	-	2.12%	-
Total		<u>- (1)</u>		<u>\$ -</u>
Semi-Annual Depreciation Expense				<u>\$ -</u>

(1) - Net of associated retirements. See Schedule 2.

Accumulated Depreciation Reserve Change

Semi-Annual Depreciation Expense (above)	\$ -
Retirements (See Schedule 2)	-
Total	<u>\$ -</u>

SCHEDULE 3

TIDEWATER UTILITIES, INC.

P.S.C. DEL. NO. 6

TWENTY-NINTHEIGHTH REVISED PAGE NO. 25

CANCELING

TWENTY-EIGHTHSEVENTH REVISED PAGE NO. 25

NOVEMBERMAY 2624, 2018

EFFECTIVE DATE: JANUARYJULY 1, 20198

7. DISTRIBUTION SYSTEM IMPROVEMENT CHARGE:

In addition to the net charges provided for in items 1. and 2. of this Tariff Schedule of Rates, a charge of 1.7224% will apply to all charges for bills rendered on or after January~~July~~ 1, 20198.

The above charge will be recomputed semi-annually, using the elements prescribed by Section 314 of Title 26 of the Delaware Code.

8. BULK WATER CONTRACT SALES

- a) Ocean View – Under contract, the Town of Ocean View is charged \$4.8024 per thousand gallons of consumption registered through the meter(s) at the interconnection with the Town of Ocean View water distribution system.
- b) Dover Air Force Base – Off Base Housing – Under contract, Dover Air Force Base Housing – Eagle Meadows/Heights is charged \$12.2609 per thousand gallons of consumption registered through the meter(s) at the interconnection with the Eagles Heights and Eagle Meadows Housing subdivision water distribution systems.
- c) Southern Shores – Under contract, Southern Shores Water Company is charged \$5.6116 per thousand gallons of consumption registered through the meter(s) at the interconnection with Southern Shores water distribution systems.